

Message Text

CONFIDENTIAL

PAGE 01 STATE 179552

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA

C O N F I D E N T I A L STATE 179552

MANILA PASS U.S. REP ADB

FOLLOWING TELEGRAM FROM RANGOON DATED JULY 17, 1974 SENT
SECSTATE WASHDC IS REPEATED TO YOU: QUOTE

C O N F I D E N T I A L RANGOON 1996

E.O. 11652: XGDS - 5(B)3

TAGS: EGEN EAID BM

SUBJ: GUB REQUESTS FOR ECONOMIC ASSISTANCE

REF: (A) STATE 151521; (B) RANGOON 1995; (C) RANGOON

1195 AND 1196, 17 MAY 1972; (D) RANGOON A-080, ITEM

9

1. SUMMARY: GUB REQUESTS ARE NEITHER SIGN OF MAJOR NEW
SHIFT TOWARDS US NOR NECESSARILY HARBINGER OF FUNDAMENTAL
REFORMS. REQUESTS ARE LATEST MANIFESTATION OF GRADUAL
AND RELATIVE OPENING UP TOWARD US AND OTHER NATIONS
THAT HAS BEEN REMARKED FOR SOME TIME. GUB IS APPROACHING
A NUMBER OF POSSIBLE DONORS AND EXPECTS TO DRAW ON ITS OWN
RESOURCES AS WELL IN COPING WITH CURRENT EMERGENCY. WE SEE
SOME VALUE, IF ONLY TO RETAIN GUB GOOD WILL, IN A MODEST
AMOUNT OF HELP (E.G., SALES ON CREDIT) IF COMMITMENTS
ELSEWHERE PERMIT; HOWEVER, WE DO NOT BELIEVE US INTERESTS
WOULD BE SERVED BY GRANT AID OR BY MASSIVE NEW PL 480 OR OTHER
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PAGE 02 STATE 179552

BILATERAL AID PROGRAM, OR BY ENCOURAGING GUB TO HOPE FOR SUCH.

IN OUR OPINION, WE DO NOT NEED AND SHOULD NOT ATTEMPT TO PROCURE BY OUR AID A MAJOR GUB SHIFT TOWARD THE US. APART FROM HUMANITARIAN CONCERNS, WHICH ARE NOT COMPELLING AT THIS STAGE, OUR MAIN INTERESTS HERE ARE: NARCOTICS SUPPRESSION AND NON-DISCRIMINATORY ACCESS FOR AMERICAN, TO WHATEVER EXTENT SUCH BECOMES POSSIBLE AND PROFITABLE, THESE MAJOR INTEREST ARE IN SATISFACTORY SHAPE WITHOUT A MAJOR SHIFT BY THE GUB. GUB REFORM WOULD BE NICE, IF IT MADE BURMA MORE PRODUCTIVE--A BIG IF. THERE IS INDEED AN INFLUENTIAL FACTION WITHIN GUB PRESSING FOR FUNDAMENTAL CHANGE; BUT WE RATE THE ODDS ON SUCH REAL AND LASTING CHANGE NO BETTER THAN FIFTY-FIFTY. AND IT IS A MOOT POINT WHETHER MASSIVE AID WOULD STIMULATE MEANINGFUL REFORM OR (BY REMOVING THE SPUR OF DIRE ECONOMIC NECESSITY) MAKE THE ODDS AGAINST IT EVEN WORSE. AT ALL EVENTS, MASSIVE AID DOES NOT SEEM AN EFFICIENT WAY OF ADVANCING AMERICAN INTERESTS HERE. END SUMMARY.

2. IF A POLICY OF REJECTING ASSISTANCE FROM US EVER EXISTED, IT WAS REVERSED AT LEAST TWO YEARS AGO. GUB IN MAY 1972 REQUEST SEMI-SOFT LOAN AND WAS TURNED DOWN (REF C). DECISION TO SEND STUDENTS AND OTHER TRAINEES TO US ON USG GRANTS (WHICH BURMESE REGARD AS TECHNICAL ASSISTANCE) WAS MADE AND INITIALLY IMPLEMENTED IN MID-1973. HELICOPTER PACKAGE IS OF COURSE A FURTHER EXAMPLE. WE HAVE HAD FREQUENT INDICATES, VARYING FROM GUARDED HINTS TO FAIRLY EXPLICIT STATEMENTS, THAT GUB WOULD WELCOME OTHER FORMS OF US ASSISTANCE AND WOULD FORMULATE SPECIFIC REQUESTS IF IT HAD ANY REASON TO BELIEVE SUCH REQUESTS STOOD A CHANCE. THUS, WE DO NOT SEE CURRENT GUB REQUEST AS CONSTITUTING ANY SHIFT IN BURMESE POLICY TOWARD US, BUT RATHER AS CONTINUING OVER-ALL TREND OF PAST THREE YEARS TO LESS STAND-OFFISHNESS TOWARD US AND OTHER COUNTRIES.

3. GUB HAS APPROACHED A NUMBER OF OTHER DONORS FOR COMMODITY AID IN IMPLEMENTATION OF CURRENT STABILIZATION PROGRAM. IN ADDITION TO DEVELOPMENTS REPORTED REF D, FOL ARE SIGNIFICANT; (A) CANADA HAS BEEN ASKED FOR WHEAT OR FLOUR AND HAS REPLIED THAT NO SUPPLIES WILL BE AVAILABLE BEFORE NEXT YEAR; (B) IN ADDITION TO UTILIZING SMALL REMAINING BALANCE OF 10
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 179552

MILLION POUND 1971 PRC COMMODITY LOAN, GUB HOPES TO USE UNEXPENDED BALANCE OF PRC PROJECT LOAN (ORIGINALLY EXTENDED 1961, REINSTATED 1971); (C) GUB OFFICIALS STATE APPROACH BEING MADE TO FRG, THOUGH FRG EMBASSY HERE HAS NOT YET BEEN ASKED FOR ASSISTANCE; POSSIBLY APPROACH BEING MADE IN BONN. AS REF B INDICATES, GUB ALSO INTENDS DRAW DOWN ABOUT DOLS 60 MILLION OF OWN RESERVES WHICH CURRENTLY AROUND DOLS 140 MILLION (PROBABLY INCLUDING SOME WINDOW-DRESSING), HIGHER

THAN ANY TIME SINCE EARLY 1970.

4. THERE IS NO QUESTION ABOUT IMPORT-STARVED BURMESE ECONOMY'S NEED FOR THE COMMODITIES WHICH GUB IS SEEKING FROM US AND OTHER DONORS. FLOOD OF IMPORTS AIMED AT ELIMINATING CHRONIC SCARCITIES, BRINGING SMUGGLING UNDER CONTROL, AND PROVIDING ADEQUATE INCENTIVES BOTH TO WORKS AND FARMERS IS ESSENTIAL TO ANY ADEQUATE STABILIZATION PROGRAM. AT SAME TIME, AS GUB READILY CONCEDES (REF B), NEED IS NOT TO PREVENT ACTUAL STARVATION BUT TO SERVE AS BASIS FOR STABILIZATION AND REDUCE RISK OF FURTHER LABOR UNREST AND POLITICAL UPHEAVALS.

5. BASIC QUESTION IS WHETHER CURRENT STABILIZATION MEASURES WILL LAY GROUNDWORK FOR MEANINGFUL REFORMS AND CONSEQUENT ECONOMIC PROGRESS, OR WHETHER THEY WILL MERELY SINK WITHOUT TRACE ONCE PRESENT CRISIS IS PAST. RECORD OF BURMESE LIBERALIZATION TO DATE AND PROSPECTS FOR ITS CONTINUATION DO NOT WARRANT OPTIMISM. MEASURES OF POLITICAL, ECONOMIC, AND FOREIGN POLICY LIBERALIZATION SO FAR ARE NUMEROUS, BUT NEITHER FUNDAMENTAL NOR IRREVERSIBLE. THERE IS STRONG FACTION WITHIN GUB, HEADED BY DEPPRIMIN U LWIN, WHICH IS PUSHING COMPREHENSIVE CONNPSC REFORM, BUT WE DO NOT BLIEVE IT HAS ENOUGH POLITICAL CLOUT OR ENJOYS THE FULL SUPPORT OF NE WIN WHICH WOULD BE NECESSARY TO ACHIEVE SUCH REFORM. A CHANGE OF REGIME, FOLLOWED BY BASIC REFORM, IS A MORE PLAUSIBLE SCENARIO NOW THAT IT WAS A YEAR AGO, BUT STILL IN OUR VIEW NOT LIKELY. NOR IS IT AT ALL CERTAIN THAT REFORM AT THE TOP WOULD CURE THE CHRONIC INEFFICIENCY WHICH PLAGUED BURMA EVEN BEFORE THE ADVENT OF NE WIN. AS A RESULT, WE REATE PROSPECTS FOR MEANINGFUL AND LASTING REFORM AS NO BETTER THAN FIFTY-FIFTY.

CONFIDENTIAL

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PAGE 04 STATE 179552

6. IT IS ARGUABLE THAT A BAIL-OUT NOW, BY US AND/OR OTHER DONORS, ACTUALLY IMPAIRS PROSPECTS FOR REFORM BY ALLOWING NEW WIN AND OTHER SENIOR GUB LEADERS TO CONTINUE AVOIDING BASIC POLICY CHANGES. ON THE OTHER HAND, U LWIN AND HIS ASSOCIATES ARGUE (REF B) THAT HELP NOW FROM US AND LIKE-MINDED COUNTRIES WILL ENHANCE PROSPECTS FOR REFORM, AND WE SHOULD NOT FORGET THAT U LWIN IS CONSIDERABLY BETTER INFORMED THAN WE ABOUT THE STATE OF PLAY WITHIN INNER CIRCLE OF REGIME. ON BALANCE, HOWEVER, EMBASSY DOUBTS THAT PROVISION OF AID BY US WOULD MATERIALLY

ADVANCE REFORM. AT ALL EVENTS QUESTION SHOULD BE, NOT WHETHER US AID WOULD STIMULATE "REFORM", BUT WHETHER US AID ON REQUISITE SCALE WOULD BE AN EFFICIENT MEANS OF ADVANCING US INTERESTS HERE. THE ARGUMENT THAT IT

WOULD NOT BE SEEMS TO US RATHER CONVINCING.

7. GUB COULD TAKE A NUMBER OF STEPS WHICH WOULD LEAD US TO REVISE FOREGOING XLAK ESTIMATE OF PROSPECTS FOR REFORM. AMONG THESE WOULD BE MAJOR SHIFT TOWARD ENCOURAGEMENT OF FOREIGN INVESTMENT, OR BURMESE REQUEST AND IBRD OR IMF AGREEMENT TO ORGANIZE BROADLY-BASED INTERNATIONAL AID CONSORTIUM. US REACTION TO ANY SUCH MOVE SHOULD REST UPON RIGOROUS APPLICATION OF ECONOMIC CRITERIA, AND IN SOME CIRCUMSTANCES, US ENCOURAGEMENT OF PRIVATE INVESTMENT OR PARTICIPATION IN MULTILATERAL EFFORT SHOULD NOT BE RULED OUT. BUT WE DO NOT THINK US INTERESTS WOULD BE SERVED BY A CONVENTIONAL BILATERAL AID PROGRAM, OR BY P.L. 480 SALES (EXCEPT AS NOTED PARA 8 BELOW), FOR BURMA.

8. AT SAME TIME, WE ARE RELUCTANT TO APPROACH SITUATION IN TERMS OF AN ALL-OR-NOTHING CHOICE BETWEEN A SUBSTANTIAL AID PROGRAM AND NOTHING AT ALL. BELIEVE OUR INTERESTS IN CONTINUING AND ADVANCING BURMESE COOPERATION IN NARCOTICS CONTROL, PLUS LONG-RANGE COMMERCIAL INTERESTS IN ACCESS TO BURMESE AQ MUTECIALS, PLUS HUMANITARIAN CONCERN OVER THE DESPERATE POVERTY WHICH EXISTS IN MUCH OF BURMA, JUSTIFY LIMITED RESPONSE INVOLVING MINOR OR EVEN TOKEN FINANCIAL COMMITMENTS. SUCH RESPONSE MIGHT INCLUDE SOME OF THE FOLLOWING: (A) RESUMPTION OF TITLE II P.L. 480
CONFIDENTIAL

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PAGE 05 STATE 179552

ASSISTANCE THROUGH UNICEF: (B) IF SUPPLY SITUATION AND OTHER PRIORITIES MAKE IT AT ALL POSSIBLE, AGREEMENT TO SUPPLY LIMITED AMOUNT OF COTTON, SAY \$2-3 MILLION WORTH, UNDER P.L. 480 TITLE I: (C) ASSISTANCE TO GUB IN LOCATING WHEAT FLOUR ON COMMERCIAL TERMS (REF B PARA 7); (D) AVAILABILITY OF EXIMBANK COOPERATIVE FINANCING OR RELENDING FACILITY FOR ACQUISITION OF TRANSPORT EQUIPMENT AND SPARE PARTS (INCLUDING PRIVATE SECTOR), THUS MAINTAINING AND PERHAPS EXPANDING US COMMERCIAL POSITION IN A POTENTIAL GROWTH AREA; (E) AVAILABILITY OF TECHNICAL ASSISTANCE FUNDS FOR A FEW SMALL AGRICULTURE, HEALTH, AND SCIENCE-ORIENTED PROJECTS TO TEST WHETHER WE CAN MAKE ANY MUTUALLY USEFUL OR HUMANITARIAN CONTRIBUTION WHILE AWAITING MORE FAVORABLE CLIMATE FOR ECONOMIC DEVELOPMENT. OSBORN
UNQUOTE KISSINGER

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